

1 meeting we'll invite the public, we'll distribute through  
2 the mailing list, as well, and then let you know a more firm  
3 schedule.

4 MS. FRISK: And you may have mentioned this  
5 earlier, if I missed it, but how will the decision making  
6 order go?

7 MR. GILLIES: We're the State lead agency for the  
8 California Environmental Quality Act, and we're going to act  
9 first, and then the county and the cities both have  
10 applications, and they would act after us. And then the  
11 Coastal Commission is also -- we are a joint review panel,  
12 Tom Lester is the Coastal Commission contact and he'll be  
13 involved in this project as well.

14 MS. FRISK: So you would expect the State Lands  
15 Commission to be here in about a year?

16 MR. GILLIES: Yeah.

17 MS. FRISK: And then the city, and then the  
18 county, and then Coastal.

19 MR. GILLIES: And I'm not sure of the exact order.

20 MR. MULLANE: That would be the order. That would  
21 be the order. And, of course, if the State Lands Commission  
22 denies the lease boundary exception, then there wouldn't be  
23 a follow up action by either the city or the county, so  
24 that's one of the reasons why State Lands is going first on  
25 this because they have that decision to make at that level.

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1           And then I just want to add to what Eric said,  
2   that the city has posted the information on our website.  
3   When we do have another public workshop, we'll make sure  
4   it's announced on our website.

5           For those of you in the audience that didn't get a  
6   notice of this meeting, just heard about it from somebody  
7   else, that want to be noticed on subsequent meetings, then  
8   please give me a call. I'll put some of my cards at the  
9   back. In addition, you can call Eric. I just know that so  
10   many of you are local, it might be easier for you to call  
11   the city.

12           Luis Perez, back there with the Energy Division,  
13   is pointing to the sign-in sheet. So if somebody didn't  
14   sign that sheet and is interested in staying informed of the  
15   process, please go ahead and put your name and address on  
16   there and we'll put you on a mailing list.

17           And thank you all for coming, I really appreciate  
18   your time on this hot afternoon.

19           MR. GILLIES: Yeah, thank you so much for coming.  
20   We're keep you updated as the project progresses. You're  
21   welcome to stay for the pre-bid conference with the  
22   consultants. We'll probably start that in about five  
23   minutes.

24           (Off the record.)

25   --oOo--

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1                   CONSULTANT PRE-BID CONFERENCE

2                   MR. GILLIES: Okay, we're going to go ahead and  
3 get the pre-bid conference going. I just want to take a  
4 roll call. Simon Campadre (phonetic)? Matt Dunn  
5 (phonetic)? Steve Radisson (phonetic)? Denise Green  
6 (phonetic)? And Dan Gerara (phonetic)?

7                   Okay. Several of you have contracted with us, so  
8 you're probably familiar with our process, but I'll go over  
9 it. This is a conference for the base contract award, so  
10 it's important that your proposals are concise and answer  
11 all the questions that are in the SOI, Statement of  
12 Interest.

13                  And then the proposal should be project specific  
14 as far as what the proposed project is doing and also, you  
15 know, relevant to the issues that were brought up in the  
16 public meeting, as well as other issues that were not  
17 brought up through public comment.

18                  We sent the statement of interest July 7th, so the  
19 close -- we're giving 30 days, so the close will be August  
20 7th, no later than 2:00 p.m.

21                  I put the contacts up on the blackboard and  
22 Anabell Abelda is the contact in the SOI, but she's on  
23 vacation. Dave Brown, he is Anabell's supervisor, so he's  
24 an alternative, and his number and e-mail is up on the board  
25 over there.

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1           The proposal is limited to 50 pages, including  
2 resumes. And we are sticklers to that, if it's 51 pages,  
3 we'll reject it. And that doesn't include -- it includes  
4 the proposal and the resumes, but as far as the small  
5 business and DVBE requirements, that could go attached to  
6 the 50 pages.

7           We're requesting a 25 percent small business  
8 participation. That's negotiable. But the DVBE is three  
9 percent and that's mandatory.

10          Let's see, read the SOI carefully and, you know,  
11 provide a good cost estimate. We'll have the cost sealed  
12 until they select -- well, what we'll do is we'll get the  
13 proposal and we'll have a review team, which will be Rob  
14 Mullane and Dean Dusette were going to be the proposal  
15 review team.

16          Once we go through the proposals, we'll pick the  
17 top three for interviews and we'll have the interviews down  
18 here. That will be likely, probably in late August,  
19 September, depending on schedules.

20          Once we go through, what we'll do is we'll rank  
21 the proposals before the interview, then we'll pick the top  
22 three, have the interviews, then we'll rerank them, then  
23 we'll deal with the top, we'll open the cost of the top  
24 consultant team, and then if that is within our price range  
25 or can be negotiated, we'll go with that firm.

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1           If not, what we'll do is go to the next firm and  
2   we don't go back to the previous one. And if their firm's  
3   not selected, the field will be destroyed, unless you  
4   request it back.

5           I think that's pretty much it. And we actually  
6   have a tentative schedule in the statement of interest.  
7   Yeah, we're looking at selecting a consultant the end of  
8   August, and then it takes about ten days to go through, our  
9   General Services to award the contract. So we're looking at  
10   probably a kickoff sometime in late September, early  
11   October.

12           And then as I mentioned, the public meeting, we'll  
13   invite the public and introduce the team we selected and go  
14   over the project, and have a kickoff meeting with the  
15   project.

16           If there's any questions?

17           UNIDENTIFIED SPEAKER: (Inaudible).

18           MR. GILLIES: Yes, the city and county, Rob and  
19   Dean, will be on the selection team. And myself, of course.

20           UNIDENTIFIED SPEAKER: How do you apply the small  
21   business (inaudible) --

22           MR. GILLIES: Yeah, they have to be certified --  
23   the definition of a small business, they have to be  
24   certified through the General Services, as well as the DVBE  
25   has to be registered with General Services.

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41

1 Rob was asking if the Coastal Commission will be  
2 on the selection team and, typically, Tom Lester hasn't been  
3 available. I think, for actually 421, we let him look at  
4 the proposals, but he didn't --

5 UNIDENTIFIED SPEAKER: (Inaudible).

6 MR. GILLIES: That's good. That's double points.  
7 I think, right, Judy? If it's a DVBE and a small business,  
8 it gets double points. I think so.

9 UNIDENTIFIED SPEAKER: For the purposes of the  
10 alternatives, you had six alternatives, you very seldom  
11 (inaudible) -- do you want the contractor to consider the  
12 alternatives in the proposals for the State, would the cost  
13 comparison be (inaudible) -- to stick with the six that we  
14 have (inaudible) --

15 MR. GILLIES: Well, right now what we propose, and  
16 then what would you -- those other alternatives, what would  
17 you do?

18 MR. MULLANE: I think we got the comment here at  
19 the hearing so together, collectively, we have to decide if  
20 it merits exploring that. I don't know at this point if  
21 together the Joint Review Panel would propose new  
22 alternatives or put that on the consultants to propose some,  
23 based on your understanding of the project. But I don't  
24 know, I think the comment needs to be addressed. We may or  
25 may not want additional alternatives.

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1                   Eric, I don't know if you have anymore guidance on  
2   whether we would decide that at the GRP level or we would  
3   want to have the scope include looking at other possible  
4   alternatives.

5                   MR. GILLIES: I think we'd look at it at GRP  
6   level, I think at first.

7                   I think, yeah, as the comments were brought up, I  
8   think we're going to have to kind of rethink and also  
9   broaden our alternatives based on the comments.

10                  And also, this is a different EIR contract than we  
11   typically have because it's going to require a lot of  
12   baseline environmental studies. Venoco is relying on the  
13   contractor to provide a lot of baseline studies, and they're  
14   specified in the SOI.

15                  UNIDENTIFIED SPEAKER: Can you expand on those a  
16   little bit in terms of what does Venoco expect out of that?  
17   And I mean, the level of effort is much different for what  
18   may be needed in the EIR versus what they need?

19                  MR. GREIG: I didn't hear the question. Again,  
20   please?

21                  UNIDENTIFIED SPEAKER: What does anyone expect to  
22   see out of the studies in terms of level of effort, whether  
23   we look at it for the offshore alternatives for the  
24   pipeline?

25                  MR. GILLIES: Well, the environmental study should

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1 look at the proposed project and all the alternatives.

2 UNIDENTIFIED SPEAKER: So you'd want to see a  
3 physical survey on the Las Flores Canyon on a proposed  
4 route?

5 MR. GILLIES: Yeah.

6 UNIDENTIFIED SPEAKER: That's an expensive effort.

7 MR. GILLIES: Well, we're --

8 UNIDENTIFIED SPEAKER: That's expensive and  
9 schedule-wise (inaudible) --

10 MR. GILLIES: Well, let me see what we're supposed  
11 to have for environmental studies?

12 UNIDENTIFIED SPEAKER: It's real vague in terms of  
13 (inaudible) --

14 MR. GILLIES: It's TAC II (phonetic).

15 UNIDENTIFIED SPEAKER: Yeah, TAC II.

16 MR. GILLIES: Yeah. Well, it's prepare marine,  
17 aquatic, and terrestrial biological assessments of affected  
18 area. C4 surveys, using site scan sonar. Seismic hazard  
19 evaluation for the pipeline. Geotech studies. As far as the  
20 platform, their studies are being --

21 MR. GREIG: Yeah, right. In our structure we've  
22 got -- I guess what I would hope to see, as the applicant,  
23 is if consultants have information that -- I mean, this area  
24 has been studied over and over. If there's information  
25 available that you have, as a consultant, that you would

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1   propose as this is how we would handle that part of this  
2   project, either the geotech survey, the C4 surveys, the bed,  
3   whatever it is, then I would hope to see that -- the JRP  
4   would see that in the proposal. And then that would  
5   influence kind of the process.

6                If it comes down to we have nothing and we're  
7   going to do the study, then I think at that point, once a  
8   consultant is selected, then we, as the applicant, would get  
9   with the consultant and through the JRP, and look at how  
10  that project, how that may be done.

11               Does that make sense?

12               MR. GILLIES: And that's one thing, down in here,  
13  as far as how long the schedule would take prior to  
14  preparing the environmental document. And so we're going to  
15  want the proposal to provide a good schedule as far as the  
16  environmental studies in support of the document.

17               MR. GREIG: There's a lot of stuff that's out  
18  there. It was a question of, you know, if we have it within  
19  industry, is that acceptable to the EIR contract? If the  
20  EIR contractor has it available and they can bring it in,  
21  that's great. So I think that was kind of the gist of the  
22  discussions we had with the State is this step needs to be,  
23  at some level, provided to do an adequate assessment in the  
24  EIR. What that looks like is really more of a discussion  
25  with the EIR contractor than it was between Venoco and the

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1 State Lands.

2 UNIDENTIFIED SPEAKER: I'm clear about the first  
3 part of this, if there are existing information be  
4 identified (inaudible) -- but if there are not, we have it  
5 (inaudible) -- and cost it, we need to come up with a  
6 methodology and say what we're going to do. It's not  
7 subject to future and further discussion, we have to come up  
8 with something and say that in the proposal, right?

9 MR. GILLIES: Right. You're going to provide how  
10 you're going to -- if there's gaps in that information, the  
11 proposal should provide how you're going to fill those gaps.

12 MR. GREIG: And I would hope that you would cost  
13 those as separate add ons or addenda -- you know, cost them  
14 separately would be my request, as the applicant. So that  
15 if it comes back and says here's what we need to do, we're  
16 doing it from scratch, and this is what it's going to cost  
17 and this is what it's going to take, then we, as the  
18 applicant, may go back to the JRP and say, okay, we've got  
19 half of this, let us do it, we'll provide it, and then we'll  
20 work with the EIR consultant to provide you with enough  
21 information so that you can do the assessment. Is that  
22 fair?

23 UNIDENTIFIED SPEAKER: (Inaudible).

24 MR. GREIG: No, no, no. No, this is to satisfy  
25 the environmental document.

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1           MR. GILLIES: Yeah, basically, typically what  
2 we've done on most of our projects is the applicant provides  
3 environmental studies, we hire third-party consulting firms  
4 to verify those studies. Here, we're kind of side-stepping  
5 that and just going directly to do the environmental studies  
6 and then do the environmental documents. So I think  
7 Venoco's used it as a cost savings as far as --

8           MR. GREIG: And, hopefully, speed. I mean, that's  
9 the other part of this is, you know, there is an urgency on  
10 our part to get this done. We didn't want to spend the time  
11 going through the process of doing all the studies and then  
12 start this process. A lot of those studies could be going  
13 on in parallel, while you're preparing your document, and  
14 that's how it would work. That's how we would see this kind  
15 of moving forward.

16           That way, we look at exactly what needs to be  
17 looked at based on what the EIR contractor believes need to  
18 be looked at.

19           MR. GILLIES: And I think it will be efficient  
20 that way because the consulting firm that does those  
21 environmental studies doesn't have to confirm what it should  
22 be, you know, as far as preparing the environmental  
23 document.

24           UNIDENTIFIED SPEAKER: There was some discussion  
25 about the scope (inaudible) --

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1 (Crosstalk.)

2 MR. GREIG: No.

3 MR. GILLIES: No, that's being conducted right  
4 now.

5 MR. GREIG: Yes. Venoco, in the application, has  
6 confirmed that Platform Holly will meet the criteria of a  
7 thousand-year seismic event, and that's information that  
8 we're providing. So the document -- the EIR will go in,  
9 assuming that the existing structure meets the criteria that  
10 currently is in place for a thousand-year seismic event.  
11 That's required by the State.

12 MR. GILLIES: And that's what -- they're preparing  
13 that study right now and that will be the consulting firm  
14 will use that study and confirm that information.

15 UNIDENTIFIED SPEAKER: (Inaudible).

16 MR. GILLIES: The study right now on Holly, the  
17 seismic study. Yeah, they're preparing that right now. And  
18 then we need to approve that, correct?

19 Are we having the environmental consulting firm  
20 that we hire be that third party?

21 UNIDENTIFIED SPEAKER: No, they wouldn't be,  
22 they'd have to be --

23 MR. GILLIES: Okay, so that would be a separate  
24 process. So should they put in their proposal that they  
25 would review that study?

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1                   MR. GREIG: I wouldn't think so. I mean, I think  
2   that because that is one between us and the State in terms  
3   of satisfying the criteria to meet that thousand-year  
4   seismic analysis.

5                   MR. GILLIES: That would have to occur anyways.

6                   MR. GREIG: That would have to occur anyway.

7                   MR. PLANCK: Who's working on that, now?

8                   MR. GREIG: Tom Severes (phonetic) is doing it for  
9   us.

10                  MR. PLANCK: Tom Severes.

11                  MR. GREIG: Yeah. And then, I forget, you know,  
12   Chandra's kind of working with them.

13                  MR. PLANCK: So it would use either MMI or Ideas  
14   as a third-party consultant to review all the work.

15                  MR. GILLIES: So then once that's reviewed and we  
16   approve it, then the consultant could use that for the EIR?

17                  MR. PLANCK: Sure.

18                  MR. GREIG: Yeah. Essentially, what the  
19   consultant would get is confirmation that Holly meets the  
20   criteria to withstand a thousand-year seismic event.

21                  MR. PLANCK: Or that it meets certain  
22   construction, which they would have to know about in order  
23   to include it in the EIR, if it had environmental  
24   ramifications.

25                  MR. GILLIES: Yeah, and that would be in that

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1 report.

2 MR. PLANCK: It should be.

3 MR. GILLIES: And then if there's any  
4 modifications that are required, then it will be analyzed in  
5 this document.

6 UNIDENTIFIED SPEAKER: Can you comment on that?

7 MR. GILLIES: Basically, Venoco is right now doing  
8 a thousand-year seismic study. We're going to hire a  
9 separate, third-party to review that and approve it. Once  
10 that's approved, then it will be available for the  
11 consultant team, for the environmental document. And if  
12 there's any modifications to Holly to meet the thousand-year  
13 seismic, then that will be analyzed in the EIR. But that  
14 information would be in the study.

15 MR. PLANCK: Well, any construction that would  
16 have to occur because of that study would be -- might have  
17 an environmental impact which you'd have to include in it.  
18 You won't know that by the time that you bid on the project,  
19 so that would be just, you know, I would assume, one of  
20 those additional studies that have --

21 MR. GREIG: Yeah, and that may happen. I  
22 wouldn't -- I think, if I were bidding on it, the process  
23 would be assume that -- understand that Holly has to meet a  
24 thousand-year seismic event. That will be confirmed through  
25 the State and then depending on the -- if there's any

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1 construction required -- and by construction, if we have to  
2 go in and beef up a joint, and there's going to be a boat  
3 that's going to be positionally placed next to the platform  
4 for a week, while the divers go down and beef up that joint,  
5 the air emissions with the boat might be included in the  
6 construction emissions for the project. But that would be -  
7 - that information will clearly be required in the timing of  
8 things. When that would be provided will kind of be based  
9 on how quickly we can get it done and the schedule that's  
10 set up by the EIR contractor. We don't want the thousand-  
11 year seismic event to become critical path.

12 MR. PLANCK: So something less than an  
13 exoskeleton.

14 MR. GILLIES: Is there a schedule for that study?

15 MR. GREIG: No. I mean, I think our process is  
16 within the month of August, so then it's just to be reviewed  
17 and it's -- I mean, it's coming quickly.

18 UNIDENTIFIED SPEAKER: So two or three months it  
19 will be done?

20 MR. GREIG: Yeah.

21 MR. GILLIES: So it should be ready by the time --

22 MR. GREIG: Yeah, this isn't something that you're  
23 going to see in, you know, spring of '07, no, this will be  
24 in the next three months.

25 MR. PLANCK: Given the speed of the one that's

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51

1 currently going, I hope this one will go smooth. If it  
2 does, we should have all the information available by the  
3 end of the year.

4 UNIDENTIFIED SPEAKER: Is the structural study  
5 also going to include any potential modification with this  
6 project?

7 MR. GREIG: Say that again, sir?

8 UNIDENTIFIED SPEAKER: Does the structural study  
9 going to take into account any new equipment with the  
10 project?

11 MR. GREIG: Yes. Well, in fact, that's one of the  
12 difficulties with a couple of the alternatives is in order  
13 to place things like -- in order to do all of the gas  
14 processing on the platform, we start placing -- we start  
15 cantilevering decks. When you start cantilevering decks,  
16 we're back to the exoskeleton. So the impacts of that will  
17 be included in the alternatives and that will be addressed  
18 in the information that's provided.

19 UNIDENTIFIED SPEAKER: (Inaudible).

20 UNIDENTIFIED SPEAKER: There was a provision for  
21 the request of extending the contract by (inaudible) --

22 MR. GILLIES: Oh, the term.

23 UNIDENTIFIED SPEAKER: Because we're seeing on the  
24 first page, term, it says that it may option for an  
25 additional three years, on a year-to-year basis

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1 (inaudible) --

2 MR. GILLIES: Yeah, that's if there's project  
3 delays. Right now, we're hoping for a final document in a  
4 year, but if there's project delays, we'll extend it year by  
5 year, for up to four years.

6 UNIDENTIFIED SPEAKER: But you would like us to  
7 incorporate the cost on installation (inaudible) --

8 MR. GILLIES: Well, it specifies right now no  
9 increase in cost.

10 UNIDENTIFIED SPEAKER: Do you mean that increase  
11 in total cost of contract or our rates?

12 MR. GILLIES: Both.

13 MR. PLANCK: Yes, consider in what you think your  
14 increases are going to be with the contract. The problem is  
15 that we've had continual delays. Of course, if they're  
16 caused by the applicant, you know, there's usually a  
17 recalculation of what the cost might be based on that delay,  
18 but we're trying to eliminate all that and try and get this  
19 one moving and done.

20 MR. GREIG: And I guess, as the applicant, I would  
21 prefer that they cost it -- that their rates reflect their  
22 costs for this year, and they're allowed like an  
23 inflationary rate annually. I wouldn't want them to adjust  
24 their rates for this year based on a four-year time frame,  
25 that's going to be more expensive for us. So I would

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1 prefer --

2 UNIDENTIFIED SPEAKER: You're not going to pass my  
3 50 percent?

4 MR. GREIG: No. Yeah, so as the applicant, I  
5 would request that the cost reflect one year of your base  
6 rate for this coming year, and then that's held. But then  
7 if there's delays, then those are allowed to adjust for  
8 inflation. Is that reasonable?

9 MR. PLANCK: Do you want them to build in an  
10 inflation rate?

11 MR. GREIG: That's fine. If the rates would  
12 change in 2008 versus what they're going to be the end of  
13 2006 and half of 2007. Because what I just heard you say is  
14 if not, they're going to have to adjust their 2006 rates to  
15 reflect 2010.

16 MR. PLANCK: Well, I'm putting myself in their  
17 spot. I mean, if this contract has to be good for four  
18 years, I've got to build in some kind of a --

19 MR. GREIG: And that's fine, and they can do that  
20 annually.

21 MR. PLANCK: But our contract, I mean, the terms  
22 of the contract say gives us the bid, nothing increases.

23 MR. GREIG: Well, we can adjust that, Jim, can't  
24 we?

25 MR. PLANCK: Can we change that?

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1                   MR. GILLIES: I'll have to look into that. What  
2 I'll do is --

3                   MR. PLANCK: Can you put that in writing to Eric -  
4 -

5                   MR. GREIG: Yeah.

6                   MR. PLANCK: -- that you would rather see them bid  
7 on this year's and give them some kind of an inflation for  
8 each year?

9                   MR. GREIG: Yeah.

10                  MR. GILLIES: And what I'll do is go back to our  
11 contract office and confirm, and then we have your e-mail  
12 and we'll send it to everyone here.

13                  MR. GREIG: Yeah, I would request that you bid it  
14 as a one-year schedule for two reasons. One, we want to get  
15 it done in a year and, two, that's the cheapest rate that we  
16 could -- that you could use.

17                  UNIDENTIFIED SPEAKER: There goes the profit  
18 margin.

19                  MR. GREIG: Yeah, thank you.

20                  MR. GILLIES: As far as after this meeting here,  
21 if something pops up in your head later, and it's before  
22 August 7th, and it's like a universal question, we'll also  
23 send that out to everybody, the question and answers.

24                  UNIDENTIFIED SPEAKER: (Inaudible).

25                  MR. GILLIES: Right now, do you know when Anabell

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1 gets back? I think she --

2 (Crosstalk.)

3 MR. GILLIES: August 1st. Yeah, so Dave Brown  
4 will be your best contact until then.

5 UNIDENTIFIED SPEAKER: So are we going to get an  
6 e-mail from you guys directing us what to build in, as far  
7 as --

8 MR. GILLIES: As far as the terms?

9 UNIDENTIFIED SPEAKER: (Inaudible).

10 MR. GILLIES: Yeah. I'll do that. First of all,  
11 when I fly back tomorrow I'll talk to Dave and then find out  
12 what we can do with that, and then send it out right away.

13 UNIDENTIFIED SPEAKER: (Inaudible).

14 MR. MULLANE: I haven't looked carefully at the  
15 statement of interest, but I was just telling Eric that some  
16 of the contracts that I've managed, where we don't have a  
17 contingency factor in there, it's really difficult, you have  
18 to keep kicking it back to the decision maker. So if you  
19 want to take that back to your contract folks, that might be  
20 another one to ask them, if you could put in a bottom line  
21 contingency factor that provides for some flexibility.

22 MR. GILLIES: Yeah.

23 UNIDENTIFIED SPEAKER: (Inaudible).

24 MR. GREIG: Exactly.

25 MR. GILLIES: Yeah, and then it's also written in

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1     there that the mitigation monitoring is an optional task.

2             MR. PLANCK:  When you talk to Dave, it might be  
3     fairer, at least to make a level playing field, if we just  
4     said there's a cost X escalation per year not to exceed a  
5     certain percentage.

6             MR. GREIG:  That's what I would --

7             MR. PLANCK:  That way we set it and they don't  
8     have to.

9             MR. GREIG:  I think that would be fine.

10            MR. PLANCK:  That way you're just basing in on a  
11     one-year bid.

12            MR. GREIG:  And you can tie it to the -- I mean,  
13     there's plenty of inflationary --

14            MR. PLANCK:  Well, I don't know what all the State  
15     contracts will allow, that's the reason why --

16            MR. GREIG:  Yeah, and I appreciate that.

17            MR. PLANCK:  But, hopefully, some of the four-year  
18     deals would --

19            MR. MULLANE:  But I would say it's separate from  
20     the issue of inflationary costs if this thing goes beyond  
21     one year.  I think it might be good to explore a contingency  
22     factor to handle any unforeseen --

23            MR. GREIG:  And it's true, too, because of the  
24     scheduling, as far as environmental studies, how long those  
25     will take, could extent it past the year.  So that's

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57

1 something we're relying on the consultant to provide is a  
2 good schedule as far as getting the environmental studies  
3 done prior to preparing the document.

4 MR. GREIG: Not necessarily prior to, but whatever  
5 time is required to get the document.

6 MR. GILLIES: Yeah, because there's something you  
7 could prepare prior to the document, as well as other  
8 environmental studies, other issue areas.

9 So I'll get back to you as far as the terms and  
10 the contingencies, I'll get back to you soon. Well, I won't  
11 get back to you, it will be through Dave. Because after  
12 today your main contacts will be Anabell and Dave, and with  
13 Anabell out until the 1st, then it's Dave. Because August  
14 7th is -- is that a Friday?

15 MR. GREIG: Monday.

16 MR. GILLIES: Monday.

17 UNIDENTIFIED SPEAKER: Do you think this week,  
18 Eric?

19 MR. GILLIES: Oh, yeah, I'll talk to Dave. Are  
20 you available tomorrow? I'll try to sit down with Dave  
21 tomorrow or Wednesday.

22 MR. MULLANE: I'm still not clear on what the  
23 consultant should do with -- increase his additional  
24 alternatives, if merited. Is that a third aspect that we  
25 want to get back to them, do you think we can huddle and

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1 figure out if we want to have you guys bid on another  
2 potential alternative and fleshing that out, or not?

3 MR. GILLIES: I think, if there's another  
4 alternative, it can probably be covered within -- maybe that  
5 will be a contingency. Let's just have them bid on what's  
6 proposed right now because I don't think we have time to --

7 UNIDENTIFIED SPEAKER: (Inaudible).

8 MR. MULLANE: Yeah, the only thing is we have  
9 another week left on the comment period and one of the  
10 speakers said they were going to submit a written response,  
11 and they may elaborate on what other alternatives they'd  
12 like to see. So I don't know what our timing is or how you  
13 want to handle that, but I think it's a question for the  
14 group here if we want to build that in as a straight part of  
15 the bid, or if we want to have it be identified as a  
16 separate possible --

17 MR. GILLIES: Another option.

18 MR. MULLANE: -- addition to the scope of work.

19 MR. GILLIES: Yeah, if there's -- what we could do  
20 is have another option, if other alternatives are -- if we  
21 come up with other alternatives for the EIR.

22 MR. GREIG: Could you do it as a scope change? I  
23 mean, because you can't wait for the end of the -- I mean,  
24 you can't wait until the end of the comment period,  
25 otherwise they won't have enough time.

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1           I mean, if the applicant, if we just acknowledge  
2   that that's -- if an additional alternative's required, that  
3   constitutes a scope change and it won't be considered in the  
4   selection --

5           MR. GILLIES: Yeah, that's true.

6           MR. GREIG: -- but it's understood. I mean, I  
7   understand what you're saying, Rob, if somebody comes in  
8   with written comments next Monday, and they have a great  
9   idea for an alternative, that's not going to --

10          MR. GILLIES: Yeah, and they're not going to see  
11   that.

12          UNIDENTIFIED SPEAKER: (Inaudible).

13          MR. GILLIES: Yeah, I think that would be a scope  
14   change. I think that actually happened on POC 421, I think,  
15   an alternative came up after the proposals.

16          (Crosstalk).

17          MR. GILLIES: And I don't foresee any major  
18   alternatives coming up right now, you know, so I don't think  
19   it's a big issue. And if other alternatives come up, I  
20   think it could be small enough that it would be just a  
21   change in scope.

22          UNIDENTIFIED SPEAKER: I agree. I think  
23   alternative selection is really hard on the EIR process.  
24   But you never know, somebody might come up with  
25   alternatives. I think it's best to (inaudible) -- because

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1 things will come up. And as you understand the project  
2 well, you might find some --

3 MR. GILLIES: And also, it may come up during the  
4 environmental studies as well, you're right.

5 MR. PLANCK: And if there's a new alternative or a  
6 radical change, it's through the change order. So it  
7 shouldn't affect the bidding that much.

8 UNIDENTIFIED SPEAKER: One other question about  
9 the public hearings and meetings (inaudible) -- is that  
10 organized to have one public meeting here on the draft EIR -  
11 - (inaudible) --

12 MR. GILLIES: Yeah, what we'll do is tie that in  
13 to the kickoff meeting. What we'll do is probably in the  
14 afternoon do a site visit with the consulting firm that's  
15 selected and awarded the contract, do a site visit. And,  
16 typically, that's what we do on our projects, do like a  
17 kickoff meeting, get any issues resolved and then that  
18 evening, or it would be the same day -- I'd have it on the  
19 same day, so that way we won't have to have multiple trips.

20 In fact, I tried to coordinate PRC 421 with this  
21 meeting but --

22 MR. MULLANE: And just so you guys are all clear,  
23 the purpose of that meeting is just an informational  
24 workshop. It's just to let people know about the project.

25 MR. GILLIES: I don't even think we're going to

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61

1 have a recorder. It's just kind of an informal workshop.  
2 Because prior to this meeting we had several requests to  
3 have a workshop prior to going through the CEQA process, but  
4 we were kind of in the middle of going through this and we  
5 kind of said, well, we'll go ahead and get a team and then  
6 bring everybody up to speed.

7 But we'll do the same mailing list as we did for  
8 this, it just won't be we aren't taking formal comments.  
9 And, actually, some alternatives may come out of that  
10 meeting.

11 And then we'll also inform anybody living by the  
12 pipeline what environmental studies are going to occur over  
13 the next -- you know, over the months.

14 That's it, if anybody else has anymore questions?

15 UNIDENTIFIED SPEAKER: I have one for  
16 clarification.

17 MR. GILLIES: Yeah.

18 UNIDENTIFIED SPEAKER: In the offshore survey, I  
19 think it was listed (inaudible) --

20 MR. GREIG: From my understanding, that's right.  
21 But clarify that --

22 UNIDENTIFIED SPEAKER: (Inaudible).

23 MR. GILLIES: Okay.

24 MR. GREIG: Okay, Steve, and for everybody else,  
25 clarify that in your proposal that that's how you would do

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1     that survey, so just so that everybody -- because there's no  
2     formal change -- it actually calls out a type of survey in  
3     the study, so I would -- I would write the proposal based on  
4     what's in the information you received.

5             If it's your opinion that a different survey would  
6     be better, or easier, or more accurate, then I would address  
7     that separately within the proposal.

8             I don't want to change what was provided today  
9     just to what I just said, write the proposal based on what  
10    you received.

11            MR. GILLIES: Yeah. And then if you think there's  
12    a better methodology, just justify it and what the results  
13    would be.

14            UNIDENTIFIED SPEAKER: It also has to do with the  
15    intent of the (inaudible) --

16            MR. GREIG: It's just environmental, that's why  
17    you're doing the survey. It's just to address -- there's no  
18    ships or --

19            UNIDENTIFIED SPEAKER: You don't want to see if  
20    there's a ship out there and (inaudible) --

21            MR. GREIG: No.

22            MR. GILLIES: Okay. So I'll get back to you  
23    regarding the terms and contingencies, and then expect to  
24    see a proposal submitted by this August 7th, no later than  
25    2:00 p.m.

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63

1 UNIDENTIFIED SPEAKER: Is there a possibility to  
2 change that to be until 5:00 p.m.? Why is it 2:00 p.m.

3 MR. GILLIES: No later than before I leave work.  
4 That's right, because that's close of business of East Coast  
5 time. It's the State.

6 All right, good luck everybody.

7 (Thereupon, the July 24, 2006  
8 meeting and public hearing  
9 concerning the EIR for Ellwood Oil  
10 Development and Pipeline Project,  
11 was adjourned.)

12 --oOo--

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CERTIFICATE OF REPORTER

I, RONALD J. PETERS, a Certified Shorthand Reporter, do hereby certify:

That I am a disinterested person herein; that the foregoing California State Lands Commission public hearing on the EIR for Ellwood Oil Development and Pipeline Project was recorded by my staff, thereafter transcribed into typewriting, and personally proofread by me.

I further certify that I am not of counsel or attorney for any of the parties in this matter, nor in any way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of August, 2006.

Ronald J. Peters

Certified Shorthand Reporter

License Number 2780

Certified Manager of Reporting Services

Registered Professional Reporter

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CALIFORNIA STATE LANDS COMMISSION

PUBLIC HEARING IN THE MATTER OF  
A DRAFT ENVIRONMENTAL IMPACT REPORT  
FOR ELLWOOD OIL DEVELOPMENT AND PIPELINE PROJECT

GOLETA COMMUNITY CENTER  
ROOMS 1 AND 2  
5679 HOLLISTER AVENUE  
GOLETA, CALIFORNIA

MONDAY, JULY 24, 2006

6:00 P.M.

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APPEARANCES

Eric Gillies, California State Lands Commission

Jeffrey Planck, California State Lands Commission

Luis Perez, County of Santa Barbara

Steve Greig, Venoco, Inc.

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iii

I N D E X

|  | Page           |
|--|----------------|
| PANEL COMMENTS                         |                |
| Steve Greig, Venoco, Inc.              | 3              |
| PUBLIC COMMENTS                        |                |
| Kathleen Gebhardt                      | 23             |
| Diane Conn                             | 25             |
| Guner Tautrim                          | 29             |
| PETERS SHORTHAND REPORTING CORPORATION | (916) 362-2345 |



1                               P R O C E E D I N G S

2                   MR. GILLIES:   I think we'll get the meeting  
3 going. Welcome. This is the Venoco Ellwood Oil Development  
4 and Onshore Pipeline Project. This is a Notice of  
5 Preparation meeting.

6                   I'm Eric Gillies, I'm with the California State  
7 Lands.

8                   We're recording to transcribe the meeting. We had  
9 a little bigger crowd at three o'clock.

10                  So I'm Eric Gillies, with the California State  
11 Lands Commission and we're the lead agency to prepare an  
12 environmental document pursuant to the California  
13 Environmental Quality Act. Luis Perez is here for the  
14 County.

15                  Earlier, we had Dean Dusette and Rob Mullane.  
16 Dean from the County and Rob from the City.

17                  We're going to work jointly, in a joint review  
18 panel to prepare this document, so we'll be working with  
19 both the City and County.

20                  And then Steve Greig is here, from Venoco, who  
21 will present the proposed project that was provided in the  
22 Notice of Preparation packet, if you've received it. If you  
23 haven't, there's copies in the back.

24                  And if you haven't done so, there's a sign-up  
25 sheet at the back, and if you could sign in so we have you

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1 down for the record.

2 Basically, the purposes of this meeting is to  
3 provide you a presentation of what's being proposed and the  
4 alternatives. And then following that, we'll open it up for  
5 discussion, or any clarifications, or questions. And then  
6 after that we can have formal comment periods.

7 If you want to speak, there's a speaker slip in  
8 the back, and you can bring that up and then make formal  
9 comments on the scope of the EIR, to make sure that the  
10 scope of the document is covered, we get all the concerns.

11 And then if you do have questions, if you could  
12 speak up, we have recorders here that will be transcribing  
13 the meeting.

14 As far as the process, we published the NOP June  
15 28th, went to the State Clearinghouse, eight federal  
16 agencies, local residences. It was printed in the Valley  
17 Voice, in Santa Barbara, in a news press last week  
18 announcing this meeting.

19 The close of the comment period is July 31st,  
20 which is next Monday. So if you don't want to provide  
21 comments today, you could send them by next Monday, you can  
22 e-mail them to me. My e-mail's in the Notice of  
23 Preparation. And by next Monday.

24 And then following this meeting we're going to go  
25 through the consultant process, consultant hiring process.

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1 We'll be working with City and County, they have an  
2 interview panel, go through the proposals, and then we pick  
3 the top three, and then once we get to the number one  
4 candidate, we'll go through cost negotiations with them and  
5 get them on board.

6 And once we have a consultant team on board to  
7 prepare the environmental document and environmental  
8 studies, we're going to have another workshop sometime in  
9 the fall, once the team is selected, to go over, you know,  
10 where the project's -- anything that has arisen since this  
11 meeting, a revised schedule, and look at any other issues  
12 that have come up since this meeting, and then also provide  
13 updates.

14 And the consultant hiring process takes about two  
15 months, so we're looking at probably October for that  
16 meeting. And we'll send out another notice to the mailing  
17 list, notifying the date of the meeting.

18 Following, I'll have Steve come up here and  
19 present the project and alternatives and then, like I said,  
20 we'll go ahead and answer any questions you have on the  
21 project and then take oral testimony as far as what needs to  
22 be -- what you feel is important that needs to be addressed  
23 in the document.

24 So with that, I'll let Steve present.

25 MR. GREIG: Great, thanks. Can everybody hear me

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4

1    okay?  So if you can't, scoot up, that will be great, then I  
2    don't have to use the mike.

3                I'm going to present a couple of things.  I'm  
4    going to start with the baseline conditions that are  
5    currently going on in place, at Ellwood.  I'm going to talk  
6    about the project and give you some of the components of the  
7    project, and then I'll talk about the alternatives.

8                So I'll talk about the baseline, I'll talk about  
9    the project, I'll open it up for some questions specifically  
10   on the project, and then I'll talk about the alternatives  
11   and then answer any questions that I can, on the technical  
12   side of the project, on the alternatives.

13               So let me start with the baseline, kind of orient  
14   us where we are.  I'm sure everybody pretty much has an  
15   idea.

16               This is a sample of the golf course.  The platform  
17   is out in this area, about two miles offshore.  This is our  
18   Ellwood onshore facility, it's a plant right next to the  
19   Sandpiper Golf Course.  The resort is over here.

20               From the facilities, the other part of the onshore  
21   portion of our project is the Ellwood Marine Terminal.  This  
22   is UCSB property.  This is the area, kind of this area where  
23   they're looking at proposing.

24               Currently, what goes on at the platform, Platform  
25   Holly was set back in 1967, it was set to produce what was

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1 the Rincon Formation, which is a deep formation that was  
2 sweet, there's no sour gas, no hydrogen sulfite in that  
3 production.

4 In 1969 it was discovered that there are  
5 economically recoverable quantities of oil and gas in the  
6 Monterey Formation, which is a shallower formation that does  
7 contain hydrogen sulfite.

8 Arco, the owner at the time, went through the  
9 process of getting permits to allow for that production to  
10 be brought into Platform Holly and brought to the onshore  
11 facility for processing and sale.

12 Those permits were approved and Arco got the  
13 approval to do that in the late seventies. So what was  
14 approved in the seventies is essentially what happens now in  
15 terms of the processing.

16 And what happens is the oil and gas comes into  
17 Platform Holly, it's separated into water -- oil and water  
18 emulsion and gas. The water partially is injected back into  
19 the reservoir on the platform, the oil and water mixture is  
20 sent through a pipeline into the onshore facility, and the  
21 gas is sent through this different pipeline to the onshore  
22 facility.

23 The oil is dewatered and actually processed  
24 through just gravitation separation to pipeline quality.  
25 The pipeline quality then can go to a refinery and at the

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1 refinery they make it into product. So we don't make  
2 anything that the public would buy there, we make the oil  
3 that then goes to the refinery and they make the product.

4 From the onshore facility it goes into a pipeline,  
5 which is represented in this dotted line. Then we have an  
6 onshore facility, there are two large storage tanks at that  
7 facility. There's the -- they're both 65,000 barrels each,  
8 so they've got 130,000 barrels capacity at the marine  
9 terminal.

10 About once every ten days a barge comes in,  
11 there's a five-port mooring offshore, and the oil is loaded  
12 onto the barge and the barge takes it to the refinery area,  
13 either Los Angeles or San Francisco. Right now, we're  
14 taking our oil to Los Angeles.

15 That's the gas comes into the onshore facility.  
16 We sweeten, we take out the hydrogen sulfide, that's the  
17 first thing we do in the process. We take out CO2, the  
18 other constituents of the gas that we don't sell, and then  
19 we take out some of the heavier hydrocarbons. So you divide  
20 the hydrocarbons into the natural gas that goes into your  
21 home for natural gas, and the rest of it goes into liquid  
22 products, either the oil that goes to the marine terminal or  
23 liquid petroleum gas, which is a little bit heavier and we  
24 truck out.

25 The gas, after it's processed to sales quality,

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1 goes into a pipeline and we sell to Southern California Gas  
2 Company right about where this pier is, which is on the  
3 other side of the Bacaro Resort.

4 At that point the gas is ready to go in your  
5 homes. The gas company odorizes it, puts it into their main  
6 transmission and it's off you go.

7 That's the baseline conditions of what currently  
8 goes on in those facilities.

9 The project that we're proposing has three main  
10 components. The first component is to eliminate the marine  
11 terminal, which is over here. Eliminate the two storage  
12 tanks, get rid of the barging, stop the transport of oil  
13 over the ocean, and put in a pipeline from the Ellwood  
14 Onshore Facility to the All-American Pipeline at the mouth  
15 of Las Flores Canyon. This is a depiction of that pipeline  
16 from the Ellwood Onshore Facility up into the All-American  
17 Pipeline. That's the first component.

18 The second component of the project is a lease  
19 extension. Currently, if you looked, the lease -- the  
20 reservoir that we produce from, from the Platform Holly,  
21 runs a little bit underneath this visual. It kind of runs  
22 like this. So that's kind of an outline of a planned view  
23 or a map view of the reservoir. So about half of the  
24 reservoir is outside of this lease line.

25 We can't drill beyond that lease line, but we can

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1 produce beyond that lease line. So Holly has wells that  
2 actually end just at this lease line, that are producing the  
3 oil that's outside here, now.

4 The project would change that lease boundary to  
5 incorporate the rest of the reserve, so it would extend this  
6 lease boundary and extend this lease boundary.

7 Then that would allow Holly to drill beyond the  
8 reef line, into this area, and more efficiently and  
9 effectively capture the oil that's out here and the oil  
10 that's out here. That's the second component of the  
11 project.

12 The third component are upgrades at the existing  
13 onshore facility. Venoco believes that all of those  
14 upgrades meet the criteria of increased safety or increased  
15 environmental protection.

16 With that criteria, it will allow the City to  
17 approve the project with what's called a limited exception  
18 to termination. The reason that's important is that is not  
19 a Measure A action, it's not a rezone. Those components of  
20 the project are separate in the application, so there are  
21 three separate components.

22 That's the project as it's put before -- that's  
23 the applicant's project. Are there questions specifically  
24 on our proposed project?

25 Yes, Kathy?

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1 MS. GEBHARDT: You didn't talk about what

2 (inaudible) --

3 MR. GREIG: Oh, sure.

4 MR. GILLIES: And if you could repeat the

5 question?

6 MR. GREIG: It was asked to explain the tents, the  
7 tents that gather the -- that gather the natural gas that's  
8 escaped -- there are currently two large seep tents that sit  
9 in this location, that this area is the second largest seep  
10 area in the world. The first one is in the Caspian Sea.

11 These tents were put in by Arco, I want to say in  
12 the eighties, and they capture this naturally occurring gas  
13 that comes out of the ocean floor, that goes into a  
14 pipeline, and then it comes into the onshore facility where  
15 it's processed and then mixed with our sales gas. That  
16 continues. The seep tents remain in place during the  
17 project and goes on.

18 Yes?

19 UNIDENTIFIED SPEAKER: The zoning expansion, the  
20 area that you're going to expand into --

21 MR. GREIG: The lease boundary extension?

22 UNIDENTIFIED SPEAKER: Yeah, the lease boundary  
23 extension. Is currently zoned as what or what is that --

24 MR. GREIG: Zoning is for the onshore facility,  
25 there is no zoning out here.

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10

1 UNIDENTIFIED SPEAKER: Okay.

2 MR. GREIG: This is our current lease. We have a  
3 lease with the State of California to process, to produce  
4 their resource, and their resource is the oil and gas that  
5 sits in the State waters. So this is all State waters and  
6 this is our current lease.

7 UNIDENTIFIED SPEAKER: So the expanded lease would  
8 be an agreement with you and the State?

9 MR. GREIG: Yes, that's right. The State has the  
10 authority, in cases where a reservoir goes beyond the lease  
11 boundary, to expand that lease boundary to allow an operator  
12 to capture all of those resources.

13 UNIDENTIFIED SPEAKER: So there's a lot of this  
14 hinge on that happening?

15 MR. GREIG: Yes.

16 UNIDENTIFIED SPEAKER: Or is that pretty much a  
17 sure thing?

18 MR. GREIG: No, it's our request to the State.  
19 It's a discretionary request, the State can choose not to  
20 extend that lease boundary.

21 UNIDENTIFIED SPEAKER: Okay.

22 MR. GREIG: The reserves the we would capture in  
23 the lease boundary would allow us to pay for the  
24 installation of a pipeline and abandonment of the marine  
25 terminal, which is why it's -- that's why Venoco has

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1 proposed the project as a single project.

2 UNIDENTIFIED SPEAKER: So maybe you just answered  
3 my second question about if the lease boundary extension was  
4 not granted, would it still be in your interest to shut down  
5 the onshore Ellwood and pipe it?

6 MR. GREIG: You mean, shut down the marine  
7 terminal and pipe it?

8 UNIDENTIFIED SPEAKER: Yeah, the marine terminal?

9 MR. GREIG: That's not the project we proposed,  
10 no.

11 UNIDENTIFIED SPEAKER: Okay.

12 MR. GREIG: Other questions on the project? Yes?

13 UNIDENTIFIED SPEAKER: So what would you have to  
14 build so that in and above the water to make use of that  
15 other, new area?

16 MR. GREIG: The platform's there, it currently has  
17 on it what we need to have on it to do that. There's no  
18 additional physical work on the platform that's required for  
19 this.

20 UNIDENTIFIED SPEAKER: So it would require  
21 extending some other kind of drilling apparatus underground,  
22 I would assume?

23 MR. GREIG: Well, we drill from the platform, now.

24 UNIDENTIFIED SPEAKER: Okay.

25 MR. GREIG: So it will --

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12

1 UNIDENTIFIED SPEAKER: So that would require  
2 building something?

3 MR. GREIG: No. We have all the -- we currently  
4 drill from the platform, there's a drilling rig out there.

5 UNIDENTIFIED SPEAKER: Okay, you would have to  
6 drill a new hole?

7 MR. GREIG: Yes.

8 UNIDENTIFIED SPEAKER: Okay, that's what I was  
9 asking.

10 UNIDENTIFIED SPEAKER: So you just drill further  
11 to get into that new lease area?

12 MR. GREIG: That's right, yeah.

13 UNIDENTIFIED SPEAKER: And what is the length of  
14 time that Platform Holly was designed to be built until?

15 MR. GREIG: What it was designed to be --

16 UNIDENTIFIED SPEAKER: How long was it designed to  
17 last and when was it installed?

18 MR. GREIG: It's kind of like asking how long a  
19 car was designed to last.

20 UNIDENTIFIED SPEAKER: Right, and cars break down,  
21 so I think it's in the public's best interest to know when  
22 you think this might break down.

23 MR. GREIG: In the year I was going to --

24 UNIDENTIFIED SPEAKER: I think a mechanic would  
25 have a good idea.

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1           MR. GREIG: The EIR will look at the integrity of  
2 the platform, the EIR contractor will look at the potential  
3 risks associated with the platform, they'll look at the  
4 possibility of breakdown and what those impacts might be.  
5 They'll look at the stability of the platform. All that  
6 will be addressed in the EIR.

7           MR. GILLIES: Ms. Conn?

8           MS. CONN: Currently, what is Holly producing?

9           MR. GREIG: Currently, 3,500 to 4,000 barrels a  
10 day.

11          MS. CONN: 34,000 barrels.

12          MR. GREIG: No, no, 3,500 to 4,000 barrels a day.

13          MS. CONN: Okay, thank you.

14          UNIDENTIFIED SPEAKER: So do you now have access  
15 to those reservoirs?

16          MR. GREIG: To thee reservoirs?

17          UNIDENTIFIED SPEAKER: Yes.

18          MR. GREIG: We cannot drill across this lease  
19 line, we cannot bottom a well across this lease line. The  
20 wells that are next to the lease line are draining this  
21 lease line, but we can't drill across that lease line.

22          UNIDENTIFIED SPEAKER: So you don't have any oil  
23 being produced with the current lines?

24          MR. GREIG: Oh, yes, we do. I mean, the oil has  
25 no idea that there's a boundary there. So we end our wells

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14

1 as close as we can, legally, to that lease line. A well  
2 produces an area around it. So if you draw a circle around  
3 the bottom hole location of the well, that would give you an  
4 idea of the oil that it's producing. The circle that we're  
5 producing from this -- from the wells at the bottom here,  
6 actually come from off our lease, but then that's legal,  
7 that's just kind of the way they --

8 UNIDENTIFIED SPEAKER: So they could drain that  
9 reservoir, you're just not getting it as efficiently as --

10 MR. GREIG: It's just going to take a long time,  
11 yeah. Which is evidenced by Platform Holly's production  
12 indicators. A lot of oil and gas projects have a very steep  
13 decline of production. Platform Holly has been kind of  
14 chugging along at 3,000 to 5,000 barrels a day for years and  
15 years because of this pot of oil that's out here.

16 UNIDENTIFIED SPEAKER: So that poses a good  
17 question. If you are to have that lease boundary expansion,  
18 what do you estimate the time frame to suck that dry?

19 MR. GREIG: The project that we've put in is 25  
20 years, but that's not a sunset, it's not a drop dead, it  
21 depends on a number of things. One of which is price of  
22 oil. You know, it costs us money to produce the money that  
23 we get out of the ground. If it costs us \$20 a barrel to  
24 get the oil out of the ground and we're only getting \$20 a  
25 barrel, then we're not going to go after that oil. If it

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1 costs us \$20 and we get \$50, that oil becomes more  
2 economical and we're going to stay there longer.

3 Nobody can predict what it's going to look like in  
4 20 years. If it's back down to \$10 a barrel, this project  
5 could be over. If it's \$200 a barrel, it may be going on  
6 longer.

7 Yes?

8 UNIDENTIFIED SPEAKER: So how does the desire to  
9 remove the onshore facility and extend the pipelines relate  
10 to your desire to extend the lease area boundary?

11 MR. GREIG: The onshore facility that we're  
12 talking about is the marine terminal, okay.

13 UNIDENTIFIED SPEAKER: Correct.

14 MR. GREIG: The way we transport oil right now is  
15 we put it into a pipeline to the marine terminal and it goes  
16 by barge, okay, and we're going to put in a pipeline to do  
17 that. It's a very capital expensive project, so it takes a  
18 lot of money to do that.

19 UNIDENTIFIED SPEAKER: Right.

20 MR. GREIG: In order to justify that as a  
21 business, spending that money now is offset by the  
22 additional revenues we would get by more actively producing  
23 this oil. Does that answer your question?

24 UNIDENTIFIED SPEAKER: Yes, that helps. What is  
25 the cost for --

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16

1 UNIDENTIFIED SPEAKER: I'm sorry, to be completely  
2 honest, it's also UCSB not extending their lease to you on  
3 that site?

4 MR. GREIG: Not necessarily. Well, the UCSB lease  
5 goes away in 2016, or it expires in 2016, so that's about  
6 ten years.

7 UNIDENTIFIED SPEAKER: Yeah.

8 MR. GREIG: You know, in nine years we'll be  
9 looking at what our options are if this project's not  
10 approved. At that point we can make a decision to -- who  
11 knows what our options are.

12 UNIDENTIFIED SPEAKER: Yeah, sorry to interrupt.

13 UNIDENTIFIED SPEAKER: No problem. So what are  
14 the environmental impacts of having an onshore facility with  
15 a tanker versus having a pipeline that extends for, it looks  
16 like, a good 50 miles or so.

17 MR. GREIG: Well, it's about 10 miles, 12 miles.

18 UNIDENTIFIED SPEAKER: Oh it's ten to 12. So it  
19 extends for a fair distance overland.

20 MR. GREIG: That's exactly what the EIR is going  
21 to identify.

22 UNIDENTIFIED SPEAKER: Oh. And who's conducting  
23 the --

24 MR. GREIG: The State Lands Agency.

25 MR. GILLIES: The State Lands. If you came in

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1 late, the State Lands.

2 UNIDENTIFIED SPEAKER: I'm sorry, I did, yes.

3 MR. GILLIES: State Lands Commission. I'm Eric

4 Gillies with the State Lands Commission, I'm the project

5 manager, and we will be processing the environmental

6 document and we're working closely with the City and County.

7 And right now this is the meeting to, you know, bring out

8 your concerns and make sure we'll have those in the

9 appendix, and then point you to the directions of where

10 those concerns are addressed in the document.

11 And we anticipate the document coming out sometime

12 at the end of next year, or a year, or until next year.

13 MR. GREIG: Can we go through the alternatives

14 real quick and then I can answer some more questions, if

15 there are any.

16 There are five -- there are six alternatives,

17 including the no project alternative, that have been

18 submitted by the applicant, that's us, to the State.

19 The first one, what I said earlier is that we

20 believe we can make the modifications to the onshore

21 facility without a modification to the general plan.

22 General plan modifications are pretty extensive processes.

23 One of the alternatives will actually look at

24 those modifications and going a general plan amendment. So

25 the impacts associated with the general plan amendment to

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18

1 allow oil and gas processing at that location. So that's  
2 one of the alternatives.

3 Another alternative is in the event the City makes  
4 the determination that we can't do the modifications at the  
5 plant with a limited exception determination, and we would  
6 need to rezone it, then we can do the project without those  
7 modifications. We don't need to touch the onshore facility  
8 in order to make this a viable economic project for us.

9 We think we should, we think there's upgrades we  
10 can make, but if the City chooses, or if the decision is  
11 made that that can't be done within the general plan  
12 amendment, then we'll drop that part of the application and  
13 we'll just do it outside of the City jurisdiction within  
14 that Ellwood Onshore Facility. So that's the second  
15 alternative.

16 The next two alternatives are similar in some  
17 ways. As I said before, there are three things we do with  
18 the natural gas. The first thing is we take out the  
19 hydrogen sulfide. The second thing we do is we take out the  
20 CO2, carbon dioxide, and the third thing is we process the  
21 gas to where it's sales quality, it meets the requirements  
22 of the California Air Resources Board.

23 The project proposes us doing all three of those  
24 things at the plant. One of the alternatives would look at  
25 the impacts and the feasibility of removing the hydrogen

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1 sulfide at Platform Holly, on the platform, and bringing the  
2 gas onshore to remove the CO2 and make it compliant with  
3 CARD.

4 An additional alternative is doing all of the gas  
5 processing on the platform and bringing sales quality gas to  
6 the beach and selling it to Southern California Gas. Okay.

7 The next alternative is an oil pipeline offshore  
8 to Las Flores Canyon, and a gas pipeline offshore to Las  
9 Flores Canyon, and processing the oil in the Exxon/Mobile  
10 Offshore Canyon facility.

11 And then the last alternative is the no project  
12 alternative, which would leave everything in place as it  
13 currently is, we would continue to barge the oil, we would  
14 continue to produce from Platform Holly, we would continue  
15 to drain the resources that are there and we would just do  
16 it as long as we could.

17 Any questions on the alternatives or anything else  
18 on the project from the technical?

19 UNIDENTIFIED SPEAKER: I mean, do you have a  
20 figure in mind for your pooled amount, oil refined in --

21 MR. GREIG: Yeah, she asked if we have a figure in  
22 mind for the amount of oil that we expect to produce. And I  
23 think it's in the application and I apologize, I don't know  
24 it off the top of my head. I'll look while other things are  
25 going on and if I can find it, I'll let you know.

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20

1 MR. GILLIES: I'm not sure if it was in the NOP.

2 MR. GREIG: Yes.

3 UNIDENTIFIED SPEAKER: If you were to do the one  
4 proposal where you treated on Platform Holly, would that  
5 require like an upgrade permitting or something for Platform  
6 Holly?

7 MR. GREIG: Yes.

8 UNIDENTIFIED SPEAKER: I mean, does it have those  
9 capabilities, now?

10 MR. GREIG: It does not. Then we would have  
11 modifications to the platform. One of the big issues is how  
12 do we deal -- it's a pretty small platform. So the first  
13 question is, physically, can we put the equipment out there  
14 to allow us to do that, that's kind of the big question.

15 And then, if we do, what does that look like in  
16 terms of structural integrity of the platform, we have to  
17 cantilever decks, we're putting on more legs.

18 And then it just comes to the economics. So even  
19 though it may be the environmentally preferred alternative,  
20 we may demonstrate that we just can't get there from here  
21 from the economics, it becomes a very expensive proposition.

22 MR. GILLIES: And we'd also look at the  
23 environmental impacts to those upgrades.

24 MR. GREIG: Yeah.

25 UNIDENTIFIED SPEAKER: And just one other

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1 question, if you choose the alternative to do a pipeline up  
2 to Las Flores, that's a new pipeline, right?

3 MR. GREIG: Yes.

4 UNIDENTIFIED SPEAKER: You're laying new pipeline  
5 on the ocean floor and then new going all the way up to Las  
6 Flores?

7 MR. GREIG: Yes.

8 UNIDENTIFIED SPEAKER: Laying a new line, getting  
9 treated, and then plugging into All-American at the back of  
10 Las Flores; right?

11 MR. GREIG: Yes. Again, the difficulty with that  
12 will be economics. Exxon, when they built Las Flores  
13 Canyon, built it -- they're allowed to charge that capital  
14 cost to anybody coming into that facility, it makes it very  
15 difficult to have economics pencil out to bring in  
16 additional production there.

17 UNIDENTIFIED SPEAKER: Okay, so I think you're  
18 saying -- so the current project doesn't do anything at Las  
19 Flores?

20 MR. GREIG: Correct.

21 UNIDENTIFIED SPEAKER: You're just tapping into  
22 the All-American.

23 MR. GREIG: We're tapping into the All-American,  
24 it's just a transportation process.

25 UNIDENTIFIED SPEAKER: On the west side of Las

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1 Flores?

2 MR. GREIG: South side, actually, yeah. So our  
3 oil never goes into the Exxon facilities under the proposed  
4 project.

5 UNIDENTIFIED SPEAKER: Okay, okay. So  
6 economically, because I'm thinking isn't it way cheaper to  
7 lay pipeline on the ocean floor than it is to go overland?  
8 But in this case you're having to pay Exxon double, okay.

9 MR. GREIG: Yeah.

10 MR. GILLIES: Anything else?

11 MR. GREIG: Thank you.

12 MR. GILLIES: Yeah, if you have more questions?  
13 What's that?

14 UNIDENTIFIED SPEAKER: Yeah, I don't know if this  
15 is the time or not, but I'd like to --

16 MR. GILLIES: Well, what we'll do is we'll keep  
17 more questions and answers, as far as the project and  
18 alternatives, and then after we conclude that, we'll take  
19 oral testimony as far as concerns that you have that you  
20 want to address in the document.

21 UNIDENTIFIED SPEAKER: Okay.

22 MR. GILLIES: And if you want to speak, there's a  
23 speaker slip, if you can -- I only have one this evening,  
24 are there more that you --

25 UNIDENTIFIED SPEAKER: There's some at the back.

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1                   MR. GILLIES: All right. There's only one that's  
2 filled out.

3                   UNIDENTIFIED SPEAKER: They hid them from you.  
4 You only have one here.

5                   MR. GILLIES: Yeah, so if there's no more  
6 questions as far as the background of the project and the  
7 alternatives, then we can open it up to, you know, comments.  
8 And if you could come -- there's a reporter up here,  
9 reporting it, to transcribe this meeting.

10                  All right, Kathleen Gebhardt. And if you could,  
11 state your name and affiliation for the record.

12                  MS. GEBHARDT: And I assume you want me here?

13                  MR. GILLIES: Yeah, that's where the recorder is.

14                  MS. GEBHARDT: Good evening. My name is Kathy  
15 Gebhardt. I'm kind of pleased that Steve knows me by name.  
16 I recognize him, but I know he does more than Venoco, so  
17 it's nice to see him.

18                  My comments, I prepared very briefly, and I'd like  
19 to read them, because if I start going off on my stories I  
20 tend to meander and go way back with the history, and  
21 neither Steve, nor I, want to go there.

22                  By my name is Kathy Gebhardt.

23                  UNIDENTIFIED SPEAKER: Oh, I want to go there.

24                  MS. GEBHARDT: My name is Kathy Gebhardt. My  
25 family has lived downwind of the property since 1972. We

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1 experienced years and years of problems of various oil  
2 companies involved in the business, including misinformation  
3 and no information.

4 The County's ability to monitor the equipment, or  
5 paperwork, and work schedules, et cetera, provided little or  
6 no assistance to the neighbors.

7 Fortunately, our City of Goleta is willing to ask  
8 the hard questions and the problems have been reduced  
9 because of a system of enforcement actions.

10 I request the EIR address the following: since  
11 the existing offshore facilities are expected to support a  
12 possible recommissioning of lease 421, the EIR should  
13 evaluate the possible new risks and probability of  
14 cumulative impacts.

**18-01**

15 As a neighbor, I continue to be concerned about  
16 health and air quality, the chronic gas leaks with human  
17 error, and the aged equipment. Again, these are all things  
18 I hope to see in the EIR.

19 As you are aware, Goleta's general plan  
20 designates, including our beaches, our new Ellwood Mesa City  
21 Park, Sandpiper Golf Course, Haskell's Beach, and Coal Oil  
22 Point Reserve, and Deveraux, they're all considered  
23 recreational open spaces, which focuses on the needs of  
24 people of all ages, including the very young and old.

**18-02**

25 This demand requires excellent air quality now and

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1 in the future, as our earth continues to warm (global  
2 warming), for those of you that didn't get that.

3 Something no one questions is that our population  
4 will continue to grow along the coast. More people using  
5 parks, driving vehicles, et cetera. All land will be more  
6 valuable, our air species will be at risk, including creeks  
7 and all bodies of water.

8 It is important for planners to know the point in  
9 time when the facility will be needed to be replaced with  
10 the problems of age and any insurmountable ability to  
11 provide state-of-the-art equipment. Thank you. My name.

12 So these are my hopes and, I guess, expectations  
13 for the EIR. Would it help you if I sent a copy of this to  
14 your e-mail address?

15 MR. GILLIES: Yes.

16 MS. GEBHARDT: I do have it. Okay, I'll be glad  
17 to do that, thank you.

18 MR. GILLIES: Yeah, if you can follow up with  
19 that, we have your testimony, and then follow up with that,  
20 and that will be great. Thank you.

21 Diane Conn?

22 MS. CONN: Hi, my name is Diane Conn. I'm here  
23 representing Citizens for Goleta Valley. And I just wanted  
24 to mention that I was also a member of the community  
25 advisory panel that Venoco did assemble, what, about a year

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18-02 cont.

1 or a year and a half, although we haven't met for probably,  
2 I guess, a year, where we did discuss a lot of these issues  
3 with the community.

4 So the first thing I'm kind of curious about is  
5 from what I understood, in one of the proposals you were  
6 going to process the oil and gas on Holly. And you already  
7 figured out that that couldn't happen.

8 So I'm kind of curious why we have an alternative  
9 that looks at gas processing on Holly, and my question is,  
10 is that a real alternative or is it just a dummy? We need  
11 real alternatives. I mean, you know, if we already know  
12 something's not going to work, let's not waste our time  
13 looking at it, let's look at some real alternatives,  
14 especially those that can really deal with our energy  
15 problems.

**18-03**

16 One of the -- I can't wait to really look at what  
17 the succession is, a determination that gets around either  
18 rezoning the whole nonconforming use question, Measure A,  
19 but I would like the EIR to look at that carefully and to  
20 make sure that it's not subject to Measure A and/or to a  
21 rezone.

**18-04**

22 When the two leases were quit claimed to the  
23 State, there were two things that happened. One, I think it  
24 was -- was it Arco or Mobile? It was Arco got to use those  
25 pollution credits, or I'm not sure of the name, but they got

**18-05**

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1 to transfer those to another project. They completed that  
2 project and they generated that pollution. So how much  
3 pollution did that project generate and how is this  
4 project -- it seems to me, if we give them back those  
5 leases, this project is going to have to somehow mitigate  
6 for that pollution.

7 Otherwise, it's the promise to the people that  
8 quit claim was an exchange for additional pollution  
9 somewhere else is being broken.

10 And the other concern I have is that there is a  
11 settlement agreement said that when those leases were quit  
12 claimed, that would be it.

13 And one of the underlying principles for our  
14 community, not only in oil production, but in our whole  
15 development and our whole concept of civil procedure, is  
16 that when you make settlement agreements that you can depend  
17 on them.

18 And so I'd like to have some policy discussion of  
19 how is it going to impact us and our ability to make  
20 settlement agreements if another project can come along 10,  
21 20, I don't know, 15 years later and change the terms of  
22 that settlement agreement.

23 To me, that's really unsettling from a -- never  
24 mind all the implications of the oil development project,  
25 that's rather unsettling to me.

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**18-05 cont.**

1           And I'd also like the EIR to identify the tax  
2     subsidies or tax write-offs, in other words, what tax  
3     dollars are available to this project if it's being  
4     developed.

**18-06**

5           We do subsidize the oil industry, however bizarre  
6     that seems, at the amount of cost of oil per barrel.

7           And if it doesn't already, I -- I always do this  
8     to mikes.

9           MR. GILLIES: We can just move that.

10          MS. CONN: Okay, yeah, because people can hear me,  
11     I'm not worried about it. So everybody can hear me, right?

12          Is besides the coastal recreational areas that  
13     Kathy already mentioned is what would be the impact of a  
14     spill to the Marine Science Institute that just spent  
15     several million dollars? They intake ocean water into their  
16     facility and spit it out. Hopefully, UCSB can cooperate  
17     with you on this, but they suck in water and if a spill were  
18     to go out, you know, what's the impact to that facility and  
19     how much would it cost?

**18-07**

20          And again, we're -- you know, I'll have to take a  
21     look at this, but Citizens -- the limited exception  
22     determination, but Citizens is very concerned about the  
23     policy implications of extending the life of a plant that we  
24     hoped would be shut down 10 or 20 years ago, and what kind  
25     of precedent does it set to do that, especially considering

**18-08**

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1 we went to the trouble of this huge process to consolidate  
2 facilities and now we still have an oil processing facility  
3 at Ellwood.

**18-08 cont.**

4 And I'll end with that and, hopefully, I'll find  
5 some more stuff to send you through the e-mail. Thanks very  
6 much for coming to Santa Barbara.

7 Oh, wait, I had one more question. I don't know  
8 where the lease EIR is and the 421 EIR is, but are we going  
9 to see those? Can you, at some point, see that before this,  
10 or all at once, or how are we going to look at whatever  
11 cumulative impacts are in the context of these projects?

**18-09**

12 MR. GILLIES: The document will look at the  
13 cumulative impacts, of course. And then the MOT, the Marine  
14 Oil Terminal, EIR should be coming out fairly soon. And 421  
15 is ahead of schedule of this one.

16 MS. CONN: So we'll see it, first?

17 MR. GILLIES: Yeah, you'll see 421, first, and  
18 this document will address that in the cumulative impacts.

19 MS. CONN: Okay, thanks very much.

20 MR. GILLIES: Thank you, Diane.

21 And is it Guner?

22 MR. TAUTRIM: Guner, yes. My name's Guner  
23 Tautrim. No major affiliation, just a local resident, but  
24 also a landowner that this pipeline would have to cross my  
25 property, so I guess that's the biggest affiliation.

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1 I was a little confused. When I asked about the  
2 lease boundary being extended and what that's currently  
3 zoned, I guess what I was looking for is that it was within  
4 a State Coastal Sanctuary, and that is my understanding that  
5 that's going to be extended in an area that's currently -- I  
6 don't know if "zone's" the right word, but it's a coastal sa  
7 sanctuary. So that was a little confusing. Maybe I'm  
8 incorrect there.

18-10

9 I also have, just knowing the lay of the land  
10 extremely well, growing up here my whole life, I would hope  
11 that the EIR would be very specific in addressing the  
12 overland pipeline. Like how are you going to get across El  
13 Capitan Creek, how are you going to get across my property,  
14 which is right next to Las Flores?

15 So I don't know. I've read a few EIRs, I'm just  
16 hoping that this one takes very good consideration in being  
17 very thorough with the lay of the land. Like this creek has  
18 this situation and we're going to deal with it this way, and  
19 this is the impact it's going to have.

18-11

20 I mean, El Capitan Canyon just spent over a  
21 million dollars on replacing the Arizona Crossing with  
22 another crossing that will eventually, hopefully, have fish  
23 coming up that creek. So just specifics. Maybe that's a no  
24 brainer, maybe that always happens. I'm not sure, that's  
25 just a concern of mine.

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1                   And other than that, I didn't prepare anything, I  
2 just came here to be informed. So I guess that's it, thank  
3 you for your time.

4                   MR. GILLIES: Okay, thank you very much. That's  
5 the purpose of this meeting is informative and then  
6 understanding the issues.

7                   We had a meeting at three o'clock and we had a lot  
8 of comments there. And the environmental document will have  
9 all these comments in the document, and then it will point  
10 you to the direction where those comments are addressed.  
11 And we will look at each of the crossings as far as  
12 fisheries. We look at threatened and endangered species and  
13 biological resources. So it will be a full environmental  
14 impact report.

15                  We had a consultant bidders' conference after the  
16 previous meeting and, basically, we're going to be hiring a  
17 consultant to actually do environmental studies. So they'll  
18 be preparing environmental studies as a baseline for the  
19 impact assessment in the environmental impact report.

20                  And then I think I mentioned it before, once we  
21 get the environmental consulting firm on board, we're going  
22 to have another meeting, it will be more of a workshop, more  
23 informal to introduce the team, have more of a schedule, a  
24 revised schedule as far as in the studies that will be  
25 conducted. Because actually, to conduct the studies, we're

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32

1 going to have to access your property and other properties,  
2 as well, to do the studies. And so we need cooperation from  
3 all the residents who are going to be affected.

4 So you'll probably see that in the fall, another  
5 notice, and then we'll meet here again. This is a good  
6 place to meet, this is where I usually have meetings.

7 And then if there's no other comments, we'll go  
8 ahead and close the meeting.

9 End of comment period is next Monday, the 31st, so  
10 if you want to send your e-mails to me by then, I'll  
11 appreciate it. And thank you for coming.

12 And then if you haven't signed in, please do so,  
13 just so we have it for the record.

14 (Thereupon, the July 24, 2006, 7:00  
15 p.m. meeting and public hearing  
16 concerning the EIR for Ellwood  
17 Oil Development and Pipeline  
18 Project, was adjourned.)

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CERTIFICATE OF REPORTER

I, RONALD J. PETERS, a Certified Shorthand Reporter, do hereby certify:

That I am a disinterested person herein; that the foregoing California State Lands Commission public hearing on the EIR for Ellwood Oil Development and Pipeline Project was recorded by my staff, thereafter transcribed into typewriting, and personally proofread by me.

I further certify that I am not of counsel or attorney for any of the parties in this matter, nor in any way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of August, 2006.

Ronald J. Peters

Certified Shorthand Reporter

License Number 2780

Certified Manager of Reporting Services

Registered Professional Reporter

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